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ELECTRONIC MAIL TO: cleanfuel.standard@state.nm.us

New Mexico Environment Department
Harold L. Runnels Building
1190 St. Francis Drive
Suite N4050
Santa Fe, NM 87505

Re: Clean Fuel Standard Act Draft Bill

Rivian Automotive, LLC, ("Rivian") appreciates the opportunity to comment on the draft bill text for the proposed Clean Fuel Standard ("CFS") Act. Rivian strongly supports New Mexico's efforts to join other leading states in establishing a CFS program. Evidence from similar policies already in effect in California and Oregon shows that clean fuels standards reduce greenhouse gas (GHG) emissions from the transportation sector and are powerful enablers of transportation electrification. By design, CFS policies directly incentivize charging infrastructure development and, with the appropriate frameworks in place, can create new revenue streams that can support fleet-switching by both light- ("LD") and medium- and heavy-duty ("MHD") fleet operators, consumer purchases, and manufacturer investment. We find the draft bill promising but have some suggestions that we think can clarify and strengthen the legislation, setting the stage for a subsequent rulemaking that finalizes a regulation with the greatest benefits for the state's transportation and climate goals.

Keeping the World Adventurous Forever

Rivian is an independent U.S. company dedicated to our mission to keep the world adventurous forever with our lineup of all-electric adventure vehicles. We have launched our first vehicle, the R1T pickup, while the SUV (R1S) will begin regular production later this year. With features like an electric motor at each wheel, over 300 miles of range on a single charge, 0-60mph times of 3 seconds and the ability to tow up to 11,000 pounds (R1T), these all-electric vehicles will open a new class of zero emission products to consumers, meeting ever-growing demands for performance and capability while emitting zero tailpipe emissions. In addition to the R1 vehicles, Rivian will deliver 100,000 all-electric last-mile delivery vans for

Amazon in the coming years. These all-electric delivery vans will be produced at the same Normal, Illinois, assembly plant as the R1T and R1S beginning in 2021.

Rivian Welcomes the CFS Act but Believes It Can Be Clarified and Strengthened

Rivian's commitment to the environment is made manifest in our support for ambitious programs of GHG regulation and climate policy, including CFS programs like that proposed by the CFS Act. The New Mexico Environment Department (NMED) itself estimates that the policy would reduce transportation emissions by 18.5 million metric tons and our experience with similar policies elsewhere has shown that they can also have a significant positive impact on the growth trajectory of the EV market. In this way, a CFS policy in New Mexico would be a perfect complement to the state's pending Advanced Clean Cars rule and its ambitions to electrify the MHD sector as demonstrated by the state's signing of the Multistate MHD ZEV Memorandum of Understanding (MOU). Adopting a suite of mutually reinforcing policies that accelerates the state's transition to an electrified transportation future is crucial if New Mexico wishes to achieve its climate and air quality goals.

The draft CFS Act is a welcome first step in establishing a CFS policy in New Mexico. However, we believe that with a few improvements to the draft, policymakers would set the stage even better for the rulemaking process that would implement the legislation. Specifically, Rivian recommends changes that clarify or otherwise strengthen certain provisions and language in the current bill text to ensure the regulatory process is well guided and results in a regulation that maximizes the use of electricity as a transportation fuel in New Mexico.

Clarify that Key Stakeholders in the EV Value Chain Should Have a Credit-Generating Role in the Program

As drafted, Section 3.D(5) of the bill directs the NMED to establish mechanisms for various entities and stakeholders to generate credits under the CFS, including "persons involved in...energy, ...manufacturing, ...transportation." Rivian interprets this to include EV charging providers and EV manufacturers but is concerned about ambiguity in the language. To avoid uncertainty, we recommend that the CFS Act specify that the department establish mechanisms for credit generation by these critical stakeholders in the EV value chain as other CFS programs do.

To that end, Rivian recommends the following specific edit.

- In Section 3.D, on page four, line 10: after "direct air capture," add "electric vehicle charging and manufacturing."

(5) establish a mechanism for a person to generate credits, including persons involved in agricultural, aviation, chemical, carbon sequestration, dairy, direct air capture, electric vehicle charging and manufacturing, energy, film, forestry, manufacturing, methane capture and use, mining, oil and gas, transportation, waste management or wastewater treatment sectors.

Raise the Ambition of the Credit Revenue Investment Requirements for Utilities

As drafted, the CFS Act requires that utilities use "at least fifty percent" of any credit revenues for

transportation electrification projects, rebates, or other benefits for EV customers. While directionally sound, Rivian believes this provision could be stronger.

There is a compelling opportunity under a CFS to create a self-reinforcing and virtuous cycle of transportation electrification investments that drive further EV use. We have concerns that limiting the utility investment requirement to half of any credit proceeds could fall short of making the most of this opportunity, and that the undefined investment category of “transportation electrification projects” could permit unproven investments that are less effective than alternatives like a sales rebate. Rivian believes it is appropriate and more fully supportive of the policy’s goals for policymakers to ask utilities to reinvest all credit proceeds they generate under a CFS in ways proven to drive EV market growth most effectively.

Therefore, Rivian encourages amendments to Section 3.D(13).

- On page 5, line 15: strike “at least fifty” and replace with “one-hundred.” After “from the credits,” insert “, less funds reasonably allocated to support operational and administrative costs associated with investment projects,”.
- On page 5, line 16: strike “transportation electrification projects.”
- On page 5, line 17: strike “of the fifty percent,”.

(13) require that electric utilities that generate credits from electricity used as transportation fuel to use at least fifty one-hundred percent of the revenues generated from the credits, less funds reasonably allocated to support operational and administrative costs associated with investment projects, for ~~transportation electrification projects,~~ rebates for electric vehicle purchases or the provision of direct benefits for current electric vehicle customers; provided that ~~of the fifty percent,~~ at least thirty percent in year one, forty percent in year two and fifty percent in subsequent years shall be used to support transportation electrification that primarily benefits disproportionately impacted, environmental justice or rural community.

Allow for Capacity-Based Infrastructure Credits

Other CFS policies allow for EV charging infrastructure providers to claim credits based on the capacity of the chargers installed—a key incentive for accelerated and early build-out of EV chargers and particularly valuable for direct current fast chargers (DCFCs). The development of charging networks faces numerous barriers, including the risk of relatively limited and uncertain customer demand in the short-term. DCFCs must overcome the additional hurdle of installation costs an order of magnitude greater than those for Level 2 chargers, resulting in long payback periods. CFS credits based on the capacity of chargers can help mitigate these challenges by creating reliable credit revenue that providers can then factor into investment plans—a potential difference-maker in whether a project to install chargers proceeds or stalls.

To ensure that any CFS policy in New Mexico maximizes benefits for EV infrastructure development, we recommend that the CFS Act mirror the precedent set by Washington State’s recently passed CFS legislation. Specifically, the bill should require that the CFS program allow for capacity-based credits with the following amendment.

- Insert a new subsection in Section 3.D:

(14) allow for the generation of credits based on the capacity of public electric vehicle charging infrastructure, including direct current fast charging infrastructure.

Allow for a Smart Charging Credit Generation Pathway

To maximize the GHG reductions and grid co-benefits achieved by the CFS, the regulations should build in incentives for smart charging of EVs. This might include charging EVs when the carbon intensity of electricity on the grid is relatively low, such as when solar generation is greatest, or outside foreseeable demand peaks—like evening hours on hot days—that can trigger the use of often relatively dirty dispatchable generation.

Rivian recommends the following amendments to the bill.

- Insert a new subsection in Section 3.D:

(15) allow for the generation of credits attributable to smart charging of electric vehicles.

- Insert a new definition in Section 2:

M. “smart charging” means adapting the charging cycle of an electric vehicle to the conditions of the electric grid to achieve certain environmental and grid management benefits.

Conclusion

Rivian applauds New Mexico’s drive to address climate change and improve air quality through a suite of policies, including the development of a CFS. The CFS Act is a welcome first step in establishing New Mexico as a leader, alongside just a handful of other states, in directly tackling pollution and GHG emissions from transportation fuels. With the amendments to the draft bill suggested above, we believe the CFS Act will set the stage for the design and implementation of a leading CFS policy that reduces emissions and accelerates the growth of New Mexico’s EV market.

Please contact me with any questions. Rivian looks forward to working with you to refine the legislation and would welcome the opportunity to continue discussing the draft in detail with staff.

Sincerely,



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Rivian Automotive, LLC